

Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W
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O 021916Z OCT 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 5119

S E C R E T SECTION 1 OF 2 MOSCOW 14082

EXDIS

E.O. 11652 GDS

TAGS: ETRD, UR, US

SUBJECT: SOVIET GRAIN SALE NEGOTIATION

REF: MOSCOW 14015

FROM ROBINSON

SUMMARY: FIVE AND ONE HALF HOURS OF DISCUSSION OF GRAIN AGREEMENT, ONE AND ONE HALF OF WHICH IN WORKING GROUP AND FOUR UNEXPECTED IN PLENARY TESTIFY TO SOVIET RESISTANCE TO US NEW PREAMBULAR LANGUAGE AND TO IDEA OF SIDE LETTERS. WE CONCLUDE WE SHOULD DROP TWO CONTROVERSIAL PREAMBULAR PARAGRAPHS, ENDEAVOR NEGOTIATE SIDE LETTER ON MARITIME MATTERS DIRECTLY BETWEEN BLACKWELL AND APPROPRIATE SOVIET MARITIME OFFICIAL, AND PERHAPS RECAST SIDE LETTER ON SERIOUS SUPPLY SHORTAGE/SURPLUS AND ESCAPE CLAUSE. END SUMMARY.

1. AMBASSADOR HINTON, ACCOMPANIED BY ASSISTANT SECRETARY OF AGRICULTURE BELL, FELDMAN AND NILES, MET WITH DEPUTY MINISTER GORDEYEV AND HIS ASSOCIATES AT 9:30 AM OCTOBER 2 TO PRESENT THE US DRAFT GRAIN AGREEMENT (REFTEL). HINTON EXPLAINED THAT USG HAD ACCEPTED SOVIET CONCEPT TO DEVELOP A SIMPLE, BRIEF AGREEMENT WHICH WOULD BE REALISTIC AND OBJECTIVE AND THAT, AS AGREED BY MINISTER PATOLIVHEV AND UNDER SECRETARY ROBINSON, THE US TEAM HAD MADE MINIMUM CHANGES POSSIBLE IN THE DRAFT SOVIETTEXT. HE REVIEWED THE POINTS AT ISSUE, EXPLAINED U.S. RATIONALE FOR DEVIATION FROM SOVIET DRAFT AND INFORMED THE SOVIETS THAT WE WOULD BE PRESENTING

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TWO IMPORTANT SIDE LETTERS, THE FIRST DEFINING "A SERIOUS SHORTAGE

IN GRAIN SUPPLY IN THE US" AND "A SERIOUS GRAIN SURPLUS IN THE USSR" AND CLARIFYING THE OPERATION OF THE ESCAPE CLAUSE, AND THE SECOND CLARIFYING ARTICLE 6 ON THE MARITIME AGREEMENT.

2. THE TONE OF THE MEETING WAS FRIENDLY AND BUSINESSLIKE, BUT GORDEYEV EXPRESSED DISAPPOINTMENT IN THE US DRAFT, WHICH HE CHARACTERIZED AS PROPOSING SUBSTANTIAL CHANGES IN THE SOVIET TEXT. HE OBJECTED PARTICULARLY TO:

(1) LACK OF BALANCE, IN THAT THE AGREEMENT CONSISTENTLY REFERS TO SOVIET PURCHASE OF GRAIN WITHOUT ANY COMPLEMENTARY REFERENCE TO US SALE; AND

(2) PREAMBULAR REFERENCE TO THE AGREEMENT ON COOPERATION IN THE FIELD OF AGRICULTURE, WHICH HINTON HAD EXPLAINED WAS IN LIEU OF THE US-PROPOSED TEXT ON INFORMATION EXCHANGE.

GORDEYEV NOTED THAT BASIC ISSUE OF THE QUANTITY OF GRAIN WAS IN HANDS OF HEADS OF DELEGATION AND EXPRESSED STRONG VIEW THAT A SIDE LETTER EXPANDING ON ARTICLE 6 CONCERNING THE MARITIME AGREEMENT WOULD BE UNACCEPTABLE TO SOVIET SIDE.

3. HINTON EXPLAINED THAT USG DOES NOT HAVE POWER TO MAKE COMMITMENTS FOR PRIVATE GRAIN TRADERS, NOTED THEIR OBVIOUS INTEREST IN MAKING THESE SALES, AND STRESSED THAT MUTUALITY OF OBLIGATION IS TO BE FOUND IN US COMMITMENT IN ARTICLE 2 OF PROPOSED AGREEMENT TO REFRAIN FROM IMPOSING EXPORT CONTROLS. WITH RESPECT TO MARITIME AGREEMENT, HINTON EMPHASIZED THE NEED TO REASSURE US LABOR AND MARITIME INTERESTS AND THE IMPORTANCE WE ATTACH TO THE SIDE LETTER IN THIS REGARD. HE EXPRESSED CONFIDENCE THAT THE SOVIET SIDE WOULD CONSIDER THE TEXT TO BE SUBMITTED BY THE US WITH AN OPEN MIND. GORDEYEV AGREED TO DO SO.

4. AFTER SOME DISCUSSION OF MEANING OF WORDS "ULTIMATE CONSUMPTION" AND "EXCLUSIVELY FOR CONSUMPTION" IN ARTICLE 4, HINTON AGREED THAT IDEA THAT US GRAIN WOULD NOT BE RE-EXPORTED COULD BE EXPRESSED BY THE SIMPLE STATEMENT THAT IT "SHALL BE SUPPLIED FOR CONSUMPTION IN THE USSR." MEETING ADJOURNED AT 11 AM ON THE UNDERSTANDING THAT THE SOVIET SIDE, AFTER REVIEWING THE AGREEMENT WITH MINISTER PATOLICHEV, WOULD INDICATE ITS PREFERENCE WHETHER TO MEET AGAIN IN THE WORKING GROUP OR WITH HEADS OF

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DELEGATION.

5. IMMEDIATELY THEREAFTER, UNDER SECRETARY ROBINSON ACCOMPANIED BY AMBASSADOR STOESSEL, HINTON, BELL OF FEA AND NILES MET WITH MINISTER PATOLIVHEV, FIRST DEPUTY MINISTER KUZ'MIN, AND SIX OTHER SOVIET OFFICIALS, TWO OF WHOM (BAKHTOV OF FOREIGN TRADE MINISTRY AND MERKULOV OF SOYUZNEFTEXPORT) AT LEAST ARE DIRECTLY INVOLVED IN OIL EXPORTS. IT TOOK FOUR HOURS BEFORE DISCUSSION OF OIL,

OSTENSIBLE SUBJECT OF MEETING, BEGAN.

6. PATOLIVHEV, PARTLY FILLIBUSTERING WITH STORIES AND LONG DIVERSIONS ABOUT SIDE ISSUES, ALSO MADE NUMBER OF MAJOR POINTS CONCERNING REVISED DRAFT GRAIN AGREEMENT, TRANSLATION OF WHICH WAS MADE FOR HIM DURING MEETING. HE ASSERTED (FOR THE RECORD) THAT HIS AGREEMENT TO SIX PLUS TWO FORMULA HAD BEEN CONDITIONED UPON US ACCEPTANCE OF SOVIET DRAFT WITHOUT MAJOR CHANGE AND EXPRESSED DISAPPOINTMENT WITH US APPROACH. HE CONCENTRATED HIS ATTACK ON TWO NEW PARAGRAPHS IN PREAMBLE AND ON US PROPOSAL FOR TWO SIDE LETTERS.

7. REGARDING REFERENCE TO AGREEMENT ON COOPERATION IN FIELD OF AGRICULTURE, HE ARGUED PROPOSED LANGUAGE GAVE US NOTHING, THAT IT WAS INSULTING TO MENTION AGREEMENT IN FORCE SIGNED BY DIFFERENT AND HIGHER AUTHORITIES, AND SUGGESTED THAT SOVIETS WOULD BE JUSTIFIED IN ASKING FOR INCLUSION OF SIMILAR REFERENCES TO INOPERATIVE TRADE AGREEMENT RECALLING SAD HISTORY OF MFN PLEDGE.

8. REGARDING PROPOSED LANGUAGE ON GRAIN STOCKS, HE SAID POLITICAL LIABILITY OF INCLUDING SUCH REFERENCES WOULD BE EXTREME IN THIRD WORLD. "WHILE THEY STARVE, WE STOCK." ENTIRE PURCHASE AGREEMENT WOULD BE SUBJECT TO ATTACK AS DEAL BETWEEN SUPER POWERS. WE HAVE ENOUGH PROBLEMS, HE ASSERTED, WITHOUT PRESENTING SUCH A TARGET. WITH RESPECT TO THIS PROPOSAL AND OTHER PREAMBULAR CHANGE, HE ASKED US TO BE AS COGNIZANT OF SOVIET PROBLEMS AS THEY WERE OF OUR INTERNAL PROBLEMS.

9. SECRETARY ROBINSON REPLIED WE UNDERSTOOD HIS ARGUMENTS AND WOULD CONSIDER CAREFULLY POSSIBILITY OF DELETION. UNLESS INSTRUCTED TO CONTRARY, WE WILL AGREE TO DELETION SINCE IN FACT PREAMBULAR LANGUAGE HAS NO PARTICULAR UTILITY.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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O 021916Z OCT 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 5120

S E C R E T SECTION 2 OF 2 MOSCOW 14082

EXDIS

10. WELL OVER AN HOUR WAS DEVOTED TO PATOLICHEV'S ATTACK ON CONCEPT OF SIDE LETTER ON MARITIME MATTERS. ROBINSON STUCK TO POINT THAT AGREEMENT ON SIDE LETTER WAS ESSENTIAL IN ORDER TO PROVIDE THAT BASIC PRINCIPLES OF MARITIME AGREEMENT WOULD BE IN EXTENDED AGREEMENT WHICH HAD TO BE CON-TERMINUS WITH GRAIN AGREEMENT. EVENTUALLY KUZ'MIN LEFT ROOM AND WHEN HE RETURNED REPORTED ON PHONE CONVERSATION HE HAD HAD WITH MINISTER OF MERCHANT FLEET GUZHENKO. ACCORDING GOT KUZ'MIN, MINISTER CONFIRMED THAT BASIC CARGO-SHARING PRINCIPLES AND PROVISION FOR HANDLING BULK CARGOES INCLUDING GRAIN WERE NOT AT ISSUE AND HE WAS CONFIDENT RENEWED AGREEMENT WOULD CONTAIN SUCH PROVISIONS. HE ADDED, HOWEVER, THAT THERE WERE MANY OTHER ISSUES, INCLUDING ACCESS TO ADDITIONAL PORTS, PORT PROCEURES, ETC., AND THAT WHILE HE WAS CONFIDENT AGREEMENT WOULD BE REACHED BEFORE YEAR END, HE SAW NO NEED TO DEAL SEPARATELY IN SIDE LETTER WITH WHAT HE VIEWED AS PART OF "A PACKAGE." PATOLIVHEV EMPHASIZED THAT IN ANY CASE MATTER SHOULD BE HANDLED BY DESIGNATED MARITIME NEGOTIATORS, AND THAT HE COULD NOT GO BEYOND ARTICLE 6 IN DRAFT GRAIN AGREEMENT. ROBINSON POINTED OUT WE HAD ACCEPTED ARTICLE 6, BUT REITERATED THAT PRESIDENT FORD'S RELATIONS WITH MARITIME UNIONS REQUIRED ASSURANCE THAT KEY POINTS WOULD IN FACT CONTINUE IN FORCE. PATOLICHEV FINALLY SUGGESTED THAT MARITIME NEGOTIATORS TRY TO REACH AGREEMENT BETWEEN THEMSELVES ON SIDE LETTER. OTHER SUGGESTION MADE BY ROBINSON AS POSSIBILITY FOR RESOLVING ISSUE, TO WIT: CONDITIONING GRAIN AGREEMENT ON SUCCESSFUL CONCLUSION OF MARITIME NEGOTIATIONS SCHEDULED BE RENEWED WASHINGTON OCTOBER 22 EVOKED OUTRAGED RESPONSE FROM PATOLICHEV TO EFFECT THAT WE INTRODUCING NEW TIME DELAY, "TRYIN HIS NERVES." ROBINSON AGREED

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CONSIDER IDEA THAT IT WOULD BE BETTER TO SETTLE MATTER RAPIDLY BY DIRECT NEGOTIATION BETWEEN MARITIME AUTHORITIES OF US AND USSR. ACCORDINGLY, WE RECOMMEND THAT BLACKWELL IMMEDIATELY CABLE TO AVERIN OR OTHER APPROPRIATE SOVIET OFFICIAL WHATEVER TEXT OF SIDE LETTER HAS BEEN DEVELOPED IN WASHINGTON, RESPONSIVE TO PROPOSAL MADE IN MOSCOW 14014. WE EMPHASIZE THAT TIMING IS OF ESSENCE IF GRAIN AGREEMENT IS TO BE INITIALED OR SIGNED BEFORE MY DEPARTURE.

11. PATOLICHEV'S OTHER MAIN ATTACK WAS AGAINST SIDE LETTER WHICH WOULD DEFINE "SERIOUS SHORTAGE OF SUPPLY OF GRAIN IN THE US, AND SPELL OUT ESCAPE CLAUSE. HE TOOK LINE THAT IF US "TOOK THIS STEP BACKWARD, IT WOULD ONLY PROVOKE SOVIETSTO TAKE STEP BACKWARD." HE SAID ARTICLE 5 WAS ALREADY AN ABSURD EXAMPLE OF WHAT COULD HAPPEN. US HAD INSERTED AN UNNEEDED PARAGRAPH CONCERNING WHAT WOULD HAPPEN IF A SERIOUS SUPPLY SHORTAGE AROSE. SOVIETS HAD COUNTERED WITH AN EQUALLY SILLY AND UNNEEDED PARAGRAPH ABOUT WHAT WOULD HAPPEN INCIRCUMSTANCES OF A SERIOUS SURPLUS. AMOUNTS

INVOLVED IN PURCHASE COMMITMENT (5 OR 6 MILLION TONS) WAS SO SMALL
RELATIVE BOTH TO US PRODUCTION AND SOVIET CONSUMPTION THAT
THERE WAS REALLY NO NEED FOR ANY OF THIS. YET US PROPOSED TO PUT
FURTHER ROADBLOCK IN WAY OF AGREEMENT BY INTRODUCING COMPLICATED
SIDE LETTER. HE ASKED, DID WE WANT AGREEMENT OR WERE WE TRYING
TO MAKE AGREEMENT IMPOSSIBLE?

12. AFTER MUCH DISCUSSION PATOLICHEV SUGGESTED THAT PERHAPS US
SHOULD SEND UNILATERAL STATEMENT OF ITS VIEWS TO SOVIET GOVERN-
MENT, WHICH STATEMENT WOULD BE "ACCEPTED." IMPLICATION WAS THAT
SOVIETS WOULD NOT RESPOND TO IT AND CLEARLY FROM OUR STANDPOINT
THAT IS NOT GOOD ENOUGH. ON OTHER HAND, IN LIGHT THIS
DISCUSSION, WE SEE MAJOR PROBLEM EMERGING OUT OF CONCEPT OF
"SERIOUS GRAIN SURPLUS IN THE USSR" AND ARE GIVING THOUGHT TO
OTHER POSSIBLE SOLUTIONS TO ESCAPE CLAUSE ISSUE.

13. GRAIN WORKING GROUP IS SCHEDULED RENEW DISCUSSION OCTOBER 3
AT 9:30 A.M.
STOESSEL

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